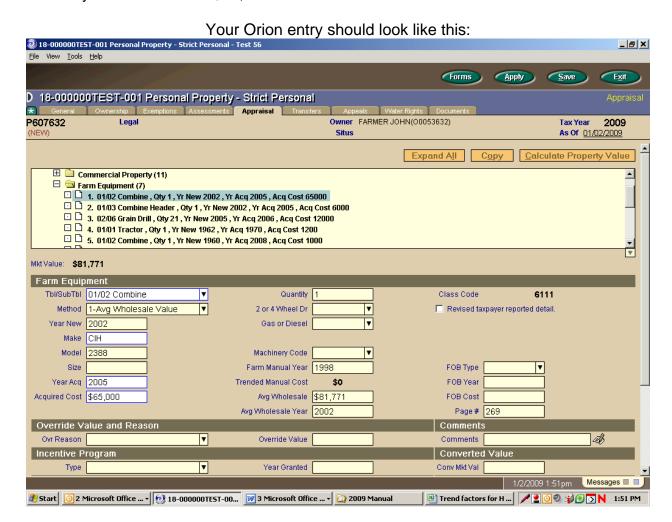
FARM MACHINERY VALUATION INSTRUCTIONS

To determine the market value for farm machinery, use the methods listed below. The methods should be used in sequential order (1 before 2, 2 before 3, and 3 before 4, etc).

Method 1 - Average Wholesale:

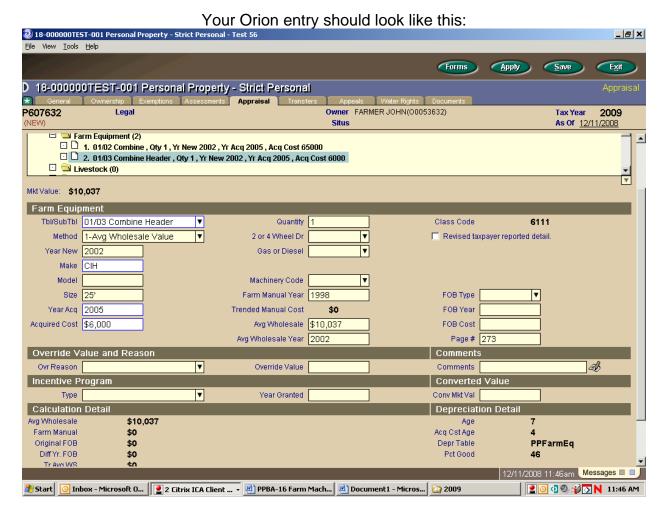
Use the **Average Wholesale** value listed in the Northwest Region, Fall 2008, Official Guide by Iron Solutions.

Method 1 example: The taxpayer reports a 2002 self-propelled Case IH 2388 combine. The Average Wholesale as listed on page 269 of the current Northwest Region Official Guide by Iron Solutions is \$81,771.



\$81,771 market value 81,771 x 3% = \$ 2,453 taxable value

The taxpayer also reports a 2002 25' Flexible Platform Header attachment for this combine. The Average Wholesale for the header is \$10,037 as listed on page 273 of the current Northwest Region Official Guide by Iron Solutions.



\$10,037 market value 10,037 x 3% = \$ 301 taxable value

<u>Method 2 - DOR Farm Machinery Manual:</u>

Use the Department of Revenue Farm Machinery Manual to determine the new costs.

- Apply the appropriate percentage from the New Cost Factor Chart (PPBA-3) to calculate approximately what the original cost of the equipment would've been when it was new.
- Multiply that value by the appropriate depreciation percentage (PPBA-16) to determine the current market value.
- The new cost factor and depreciation percentage to be used will be determined by the year new of the equipment.

Method 2 example: The taxpayer reports a 2005 John Deere press disc grain drill that is 21' long. She reports that she acquired it for \$12,000 in 2006.

In the Farm Machinery Manual you find that the cost per foot for Press Disc Grain

Drills 1978 & newer is \$1,073. 21' x \$1,073 (cost per ft) = 22,533 (1998 new cost)

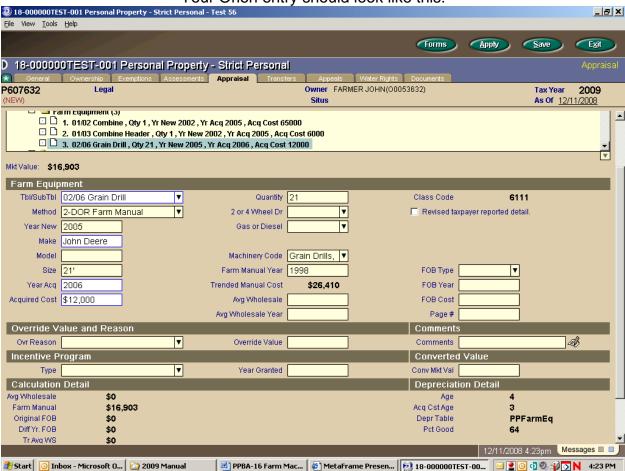
Using the New Cost Factor Chart (PPBA-3 for equipment older than 1998 or the New Cost Factor chart at the front of the DOR Farm Machinery Manual for equipment newer than 1999) you determine the appropriate factor to bring the equipment from the 1998 value to the year new, in this case 2005 value is 1.172.

 $22,533 \times 1.172$ (new cost factor) = 26,409 (2005 new cost)

Using the Farm Machinery & Equipment Depreciation Schedule (PPBA-16) you determine that the appropriate depreciation percentage (for 2005 in this case) is 64%.

> $26,409 \times 64\% = $16,902$ market value $16.902 \times 3\% = $$ 507 taxable value

Your Orion entry should look like this:



Method 3 - Original FOB:

Apply the appropriate percentage from the Farm Machinery & Equipment Depreciation Schedule (PPBA-16) to the original F.O.B. (factory price) or approximate new retail price as determined through old guidebooks. The percentage to be used will be determined by the year the farm machinery was new.

Method 3 example: The taxpayer reports a 1962 Ford Dexta tractor that he acquired in 1970 for \$1,200. No value is listed in the current Northwest Region Official Guide by Iron Solutions but you find a 1962 FOB of \$2,600 in an old guidebook.

Using the Farm Machinery & Equipment Depreciation Schedule (PPBA-16) you determine that the appropriate depreciation percentage (for 1993 & older in this case) is 23%.

2,600 x 23% = \$598 market value 598 x 3% = \$ 18 taxable value

Your Orion entry should look like this: 18-000000TEST-001 Personal Pro View Tools Help Forms Apply <u>S</u>ave D 18-000000TEST-001 Personal Property - Strict Personal P607632 Owner FARMER JOHN(00053632) Тах Үеаг 2009 As Of 12/11/2008 Situs ☐ ☐ Farm Equipment (4) □ 1. 01/02 Combine, Qty 1, Yr New 2002, Yr Acq 2005, Acq Cost 65000 2. 01/03 Combine Header, Oty 1, Yr New 2002, Yr Acq 2005, Acq Cost 6000 3. 02/06 Grain Drill , Oty 21 , Yr New 2005 , Yr Acq 2006 , Acq Cost 12000 ₹ Mkt Value: \$598 Farm Equipment ▼ Class Code 6111 Quantity 1 ▼ Revised taxpayer reported detail Method 3-Original FOB 2 or 4 Wheel Dr ▼ Year New Gas or Diesel Ford Model Dexta Machinery Code Farm Manual Year 1998 FOB Type F.O.B Size Trended Manual Cost FOB Year Year Aca 1970 11962 Acquired Cost \$1,200 Avg Wholesale FOB Cost \$2,600 Ava Wholesale Year Page# Override Value and Reason Comments 4 Ovr Reason ▼ Override Value Comments Incentive Program Converted Value ▼ Type Year Granted Conv Mkt Val Calculation Detail Depreciation Detail Farm Manual \$0 Acq Ost Age 39 Original FOB Depr Table \$598 **PPFarmEq** Diff Yr EOB Pct Good \$0 12/11/2008 4:35pm Messages 🗆 🗖 🏂 Start 🔟 Inbox - Microsoft O... 🗀 2009 Manual

Note: The depreciation table is loaded into Orion and the calculation is done for you when you click the Calculate button.

Method 4 - Trended FOB:

Apply the appropriate percentage from the Farm Machinery & Equipment Depreciation Schedule (PPBA-16) to the trended FOB (factory price) or approximate retail price as determined by the new cost factor chart. The factor and percentage to be used will be determined by the year the farm machinery was new.

Method 4 example: The taxpayer reports a 1960 John Deere 1010 RU 115G combine. No current value is listed nor can you find a 1960 FOB. You do, however, find a 1963 FOB of \$2,506 for that model. Using the New Cost Factor Chart (PPBA-3) you determine the factor be .99.

```
2,506 x 99% = 2,481 Trended FOB
2,481 x 23% = $ 571 market value
571 x 3% = $ 17 taxable value
```

Note: The "Fall Official Guide" by Iron Solutions does not have an FOB value, the older guides that list actual FOB's will need to be used.

Your Orion entry should look like this: 18-000000TEST-001 Personal P _ B × File View Tools Help Forms Apply Save E<u>x</u>it D 18-000000TEST-001 Personal Property - Strict Personal Owner FARMER JOHN (00053632) P607632 Tax Year 2009 As Of 12/31/2008 🗀 🐸 Property Owned by Otners (U) Ť. Mkt Value: \$571 Farm Equipment Tbl/SubTbl 01/02 Combine Quantity Class Code ▼ Method 4-Trended FOB 2 or 4 Wheel Dr Revised taxpayer reported detail. Gas or Diesel • Year New 1960 Make JOHN DEERE Model 1010 Machinery Code Size Farm Manual Year | 1998 FOB Type | Trended F.O ▼ Year Acq Trended Manual Cost \$0 FOB Year 1963 Acquired Cost \$1,000 Ava Wholesale **FOB Cost** \$2,506 Avg Wholesale Year Page# Override Value and Reason Comments Ovr Reason ▼ Override Value Comments 14b Incentive Program Converted Value Reporting Name: PPFarmComments Type ▼ Year Granted Conv Mkt Val Calculation Detail Depreciation Detail Ava Wholesale \$0 Ade 49 Farm Manual \$0 Acq Ost Age Original FOB \$0 Depr Table **PPFarmEq** Diff Yr. FOB \$571 TriAvg WS \$0 TriAcq Cost \$0 None Message 12/31/2008 3:26pm Messages 🗆 🗖 🐉 Start 🔼 Inbox - Microsoft O... **■** 3 Microsoft Office ... • Microsoft Excel

Method 5 – Factored New Cost:

Use the New Cost Factor Chart (PPBA-3) to trend down the wholesale value of Farm equipment whose same make and model are listed in the current Official Guide – Northwest Region, but whose year is no longer listed.

<u>Use this method in place of method (3) or (4) ONLY if those methods result in a higher value being placed on a piece of farm equipment than the last year listed in the current Official Guide - Northwest Region for the same make and model.</u>

Method 5 example: The taxpayer owns a 1977 JD 4040 tractor. There is no current value listed but you find a wholesale value of 7,680 listed for a 1978 JD model 4040.

 $7,680 \times .93 = \$7,142$ Trended wholesale / market value $7,142 \times 3\% = \$$ 214 taxable value

Your Orion entry should look like this: _ B × File View Tools Help Forms Apply Save Exit 18-000000TEST-001 Personal Property - Strict Personal Owner FARMER JOHN (00053632) P607632 Тах Үеаг 2009 As Of 12/31/2008 🗀 🔁 Industrial Property (0) Property Owned by Others (0) Mkt Value: \$7,142 Farm Equipment Tht/SubTbl 01/01 Tractor Quantity Class Code Method 5-Factored Cost New ▼ 2 or 4 Wheel Dr ▼ Revised taxpayer reported detail Year New 1977 Gas or Diesel JOHN DEERE Model 4040 Machinery Code Size Farm Manual Year 1998 FOB Type Year Acq 2008 Trended Manual Cost **FOB Year** Acquired Cost \$500 Avg Wholesale \$7,680 **FOR Cost** Avg Wholesale Year 1978 Page# Override Value and Reason ▼]*&*} Ovr Reason Override Value Comments Incentive Program ▼ Type Year Granted Conv Mkt Val Calculation Detail Depreciation Detail Avg Wholesale 32 Age \$0 Acq Ost Age Farm Manual Original FOB \$0 Depr Table **PPFarmEq** \$0 Pct Good Diff Yr. FOB 23 \$7,142 Tr Ava WS Tr Aca Cost 12/31/2008 3:33pm Messages 🗆 🗖 Inbox - Microsoft O...
2009 Manual

Method 6 - Acquired Cost:

Apply the appropriate percentage to the acquired cost. The percentage to be used will be determined by the year acquired.

Method 6 example: The taxpayer owns a 1980 Barnard 689F tractor. No current value is listed and you cannot find an FOB for any year for that model. The taxpayer acquired the tractor in 1999 for \$20,000.

 $20,000 \times 36\% = $7,200$ market value $7,200 \times 3\% = 216 taxable value

Your Orion entry should look like this: _ B × 18-000000TEST-001 Personal Property - Strict Personal - Test 56 <u>File View Tools Help</u> Forms Apply 18-000000TEST-001 Personal Property - Strict Personal P607632 Owner FARMER JOHN (00053632) Tax Year 2009 Situs • Mkt Value: \$7,200 Farm Equipment Tbl/SubTbl 01/01 Tractor ▼ Quantity 1 Class Code 6111 ▼ ▼ Method 6-Acquired Cost Revised taxpayer reported detail. 2 or 4 Wheel Dr ▼ Year New 1980 Gas or Diesel Make BARNARD Model Machinery Code FOB Туре Size Farm Manual Year 1998 Trended Manual Cost FOB Year Year Acq 1999 Acquired Cost \$20,000 Avg Wholesale FOB Cost Avg Wholesale Year Page # Override Value and Reason Comments Ab. Ovr Reason ▼ Override Value Comments Converted Value Incentive Program ▼ Conv Mkt Val Type Year Granted Calculation Detail **Depreciation Detail** Avg Wholesale 10 Farm Manual \$0 Acq Ost Age Original FOB \$0 Depr Table **PPFarmEq** Diff Yr. FOB Pct Good \$0 \$0 Tr Ava WS Tr Aca Cost \$7,200 Message Mkt Value: \$7,200 12/31/2008 3:39pm Messages 🗏 🗖 ₩ 3 Microsoft Office ... ▼ Microsoft Excel O Inbox - Microsoft O...

FARM MACHINERY & EQUIPMENT DEPRECIATION SCHEDULE

This schedule is to be used from January 1, 2009, through December 31, 2009, (reference ARM 42.21.123).

<u>YEAR</u>	TRENDED <u>% GOOD</u>	
2009	80%	
2008	75%	
2007	70%	
2006	70%	
2005	64%	
2004	60%	
2003	52%	
2002	46%	
2001	42%	
2000	39%	
1999	36%	
1998	35%	
1997	33%	
1996	31%	
1995	31%	
1994	26%	
1993 and older	23%	

Note: All agricultural implements and machinery with a market value less than \$100 are exempt 15-6-207 (3), MCA. If any of the above valuation methods result in a market value of \$99 or less that item becomes exempt from taxation.

Example: The taxpayer has an old Ferguson harrow that she purchased in 1960 for \$300. 300 x 23% = \$69 **market value**

Note: This depreciation schedule is also used to value lease & rental <u>tanks</u>. (Lease & Rental Table 10)

Note: Remember when trending down that the DOR Farm Machinery Manual contains 1998 new costs.

	Class	Property	Taxable
Property Type	Code	Class	<u>Percentage</u>
Farm Machinery & Equipment	6111	8	3%